

Message Text

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S/S MR. ORTIZ

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C O N F I D E N T I A L STATE 202889 TOSEC 100172

NODIS

E.O. 11652:GDS
TAGS:PFOR,ENG,UNGA
SUBJECT: SECRETARY'S UN SPEECH -- DRAFT 8 - SECTION ON
TRADE AND DEVELOPMENT (SECTION 4 OF 7)
FOR S/S - PASS TO LORD FROM S/P-LEWIS AND EB-ENDERS

INTRODUCTION REVISED AND EXPANDED AS REQUESTED. ALSO
NEW TRANSITION AT END AS BRIDGE TO COMMODITIES, WHICH
WE BELIEVE SHOULD FOLLOW TRADE SECTION. TEXT FOLLOWS:

1. TRADE AND DEVELOPMENT

2. THE THIRD BASIC AREA FOR OUR ATTENTION IS THE WORLD

TRADING SYSTEM. IMPROVING THAT SYSTEM WILL MAGNIFY OUR
SUCCESS IN EVERY OTHER AREA OF EFFORT.

3. TRADE HAS BEEN A DRIVING FORCE IN THE UNPRECEDENTED

EXPANSION OF THE WORLD ECONOMY OVER THE LAST THIRTY YEARS.
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ALL COUNTRIES HAVE A STAKE IN THE EXPANSION OF WORLD TRADE
AND IN AN IMPROVED WORLD TRADING SYSTEM. INCREASED TRADE
GOES WITH GREATER SPECIALIZATION, TECHNOLOGY EXCHANGE AND

THE INTERNATIONAL MOVEMENT OF CAPITAL. THESE ARE THE ELEMENTS OF EFFICIENCY AND EXPANSION--A CRITICAL SOURCE OF DYNAMISM IN THE WORLD ECONOMY.

4. FOR ADVANCED NATIONS, GROWTH IN WORLD TRADE CAN STIMULATE ECONOMIC RECOVERY AND EXPANSION. IT MEANS LOWER COST IMPORTS AND A WIDER VARIETY OF GOODS FOR CONSUMERS. IT IS THE MECHANISM FOR ASSURING A RELIABLE AND GROWING SUPPLY OF VITAL RAW MATERIALS.

5. FOR DEVELOPING NATIONS, EXPANDED TRADE IS AN IMPORTANT ENGINE OF DEVELOPMENT. RAPIDLY GROWING EXPORT EARNINGS ARE ESSENTIAL TO FINANCE THE IMPORTS REQUIRED BY A DYNAMIC ECONOMY. INCREASED EARNINGS HELP FINANCE IMPORTS OF EQUIPMENT TO EXPAND PRODUCTIVE CAPACITY AND FOOD FOR GROWING POPULATIONS. INCREASED EARNINGS CAN REDUCE DEPENDENCE ON AID AND HELP TO FINANCE EXPANDING DEBT SERVICE OBLIGATIONS. EXPANDING EXPORT INDUSTRIES CAN FUEL THE DEVELOPMENT PROCESS AND PROVIDE JOBS AND GOVERNMENT REVENUES FOR DEVELOPING ECONOMIES. IT IS NO ACCIDENT, CONFIDENTIAL

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THEREFORE, THAT THE DEVELOPMENT SUCCESS STORIES OF THE PAST THREE DECADES HAVE BEEN THOSE VERY COUNTRIES THAT HAVE TAKEN FULL ADVANTAGE OF THE OPPORTUNITIES IN WORLD TRADE.

6. BUT TODAY THE WORLD TRADING SYSTEM IS MENACED BY THE PROSPECT OF A NEW PROLIFERATION OF ARTIFICIAL BARRIERS, RESTRICTIONS AND METHODS OF UNFAIR COMPETITION. THE DANGER IS HEIGHTENED BY THE MOST SERIOUS RECESSION SINCE THE SECOND WORLD WAR. EVERY DAY THAT ECONOMIC RECOVERY IS

DELAYED, THE TEMPTATION GROWS TO RESTRICT IMPORTS, TO SUBSIDIZE EXPORTS UNFAIRLY OR TO RESTRICT THE EXPORT OF SCARCE ITEMS. CONCERTED ACTION IS NECESSARY NOW--NOT ONLY TO ACHIEVE ECONOMIC RECOVERY BUT TO SAFEGUARD AND IMPROVE THE OPEN TRADING SYSTEM ON WHICH ALL OUR PROSPERITY DEPENDS.

7. THE EFFORT TO EXPAND THE WORLD TRADING SYSTEM REQUIRES THE COOPERATION OF BOTH DEVELOPED AND DEVELOPING COUNTRIES. MANY OF THE LESS DEVELOPED COUNTRIES ARE EMERGING AS IMPORTANT ACTORS IN THE WORLD TRADING ARENA. SOME COULD BECOME MAJOR WORLD TRADING POWERS. IT IS IN OUR INTEREST TO FORM STABLE AND MUTUALLY BENEFICIAL TRADING ARRANGEMENTS WITH THE COUNTRIES THAT ARE BECOMING AN IMPORTANT AND DYNAMIC

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IC BASE FOR A GROWING WORLD MARKET FOR TRADED GOODS.

8. YET MANY OF THE DEVELOPING COUNTRIES REQUIRE ASSISTANCE IN BECOMING MORE INTEGRATED INTO THE WORLD TRADING SYSTEM. FLEDGLING EXPORT INDUSTRIES NEED SPECIAL HELP TO BREAK INTO NEW MARKETS. EXPORT PROMOTION POLICIES IN THE DEVELOPING COUNTRIES PROVIDE A STIMULUS--BOTH TO THEIR ECONOMIC DEVELOPMENT PROSPECTS AND TO A GREATER ROLE FOR THEM IN WORLD TRADE.

9. AN ENVIRONMENT NEEDS TO BE CREATED IN WHICH THESE POLICIES ARE ENCOURAGED. THE DEVELOPING COUNTRIES ALSO NEED ENCOURAGEMENT TO FORM REGIONAL TRADING ASSOCIATIONS. ONLY BY FORMING REGIONAL GROUPS CAN MANY SMALL COUNTRIES HAVE ACCESS TO ECONOMIES OF SCALE AND THE OPPORTUNITIES OF

LARGER MARKETS.

10. IN DEVISING RULES TO GOVERN TRADE RELATIONSHIPS AMONG NATIONS, ACCOUNT SHOULD BE TAKEN OF THE PARTICULAR NEEDS OF THE DEVELOPING COUNTRIES. FOR UNLESS WE DO SO, MANY DEVELOPING COUNTRIES WILL FIND IT DIFFICULT TO PARTICIPATE FULLY AND ACTIVELY IN THE OPEN WORLD TRADING SYSTEM SO IMPORTANT TO US ALL.

11. THE MULTILATERAL TRADE NEGOTIATIONS THAT ARE NOW TAK-
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ING PLACE IN GENEVA ARE CENTRAL TO THE TASK OF STRUCTURING AN IMPROVED WORLD TRADING SYSTEM. THESE NEGOTIATIONS WILL HAVE A PROFOUND IMPACT ON THE FUTURE OF THE WORLD ECONOMY AND THE PROSPECTS FOR DEVELOPMENT. IF THEY FAIL, WE RISK A SERIOUS SLIDE INTO AN INCREASINGLY FRAGMENTED, CLOSED WORLD OF NATIONALISM AND BLOCS, OF INEFFICIENCY AND STAGNATION, OF MOUNTING ECONOMIC AND POLITICAL FRICTIONS. IF THEY SUCCEED, ALL COUNTRIES WILL BENEFIT FROM THE REDUC-
TION OF BARRIERS AND THE FREER FLOW OF GOODS, CAPITAL AND SERVICES, AND THERE WILL BE A MAJOR ADVANCE TOWARD A MORE OPEN, PROSPEROUS AND COOPERATIVE WORLD.

12. WE BELIEVE THE OUTCOME OF THE NEGOTIATIONS DEPENDS CRITICALLY ON PROTECTING THE INTERESTS AND ADVANCING THE PARTICIPATION OF THE DEVELOPING COUNTRIES IN THE WORLD TRADING SYSTEM. THIS IS OF DIRECT CONCERN TO THE DEVELOPED COUNTRIES THEMSELVES, BECAUSE WITHOUT THE COOPERATION OF THE DEVELOPING NATIONS, WE CANNOT BE ASSURED OF ACCESS TO

VITAL RAW MATERIALS OR TO EXPANDING MARKETS. AND IT IS IN
THE GLOBAL INTEREST, BECAUSE CREATING BETTER OPPORTUNITIES
IN WORLD TRADE FOR ALL COUNTRIES IS VITAL TO THE HOPES OF
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MILLIONS FOR ECONOMIC GROWTH AND DEVELOPMENT.

13. TO IMPROVE THE WORLD TRADING SYSTEM AND TO MAKE IT
BETTER SERVE OUR DEVELOPMENT GOALS, THE UNITED STATES WILL
WORK TO ENSURE THE SUCCESS OF THESE NEGOTIATIONS. LET ME
BRIEFLY OUTLINE OUR APPROACH.

14. FIRST, THERE MUST BE FUNDAMENTAL STRUCTURAL IMPROVE-
MENT IN THE RELATIONSHIP OF THE DEVELOPING COUNTRIES TO THE
WORLD TRADING SYSTEM. WHEN THEY ARE AT THE CRITICAL STAGES
OF DEVELOPMENT, THEY SHOULD RECEIVE MORE FAVORABLE TREAT-
MENT. THIS INVOLVES A VARIETY OF APPROACHES SUCH AS
PREFERENCES, SPECIAL CONCESSIONS AND EXCEPTIONS DESIGNED TO
TAKE ACCOUNT OF THEIR ECONOMIC STATUS. BUT THESE COUNTRIES
THEMSELVES MUST CONTRIBUTE TO THE SUCCESS OF THE NEGOTIA-
TIONS IF CONCESSIONS GRANTED THEM IN THIS AND EARLIER
ROUNDS ARE TO BE MAINTAINED. AND AS THEY PROGRESS TO A
HIGHER LEVEL OF DEVELOPMENT, THEY MUST GRADUALLY ACCEPT THE
OBLIGATIONS OF RECIPROCITY AND STABILITY OF TRADING ARRANGE-
MENTS WHICH OTHER ADVANCED COUNTRIES UNDERTAKE. PREFEREN-
TIAL TREATMENT CANNOT BE MAINTAINED INDEFINITELY WITHOUT
REGARD TO THEIR LEVEL OF PROGRESS. AT SOME POINT THEY WILL
BE PREPARED TO COMPETE ON MORE EQUAL TERMS, EVEN AS THEY
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DERIVE MORE BENEFIT FROM THE FLOWS OF GLOBAL TRADE.

15. SECOND, WE MUST WORK TO OPEN UP TRADING OPPORTUNITIES

IN THE MANUFACTURING SECTORS FOR THE DEVELOPING COUNTRIES.

THESE PROVIDE THE MOST PROMISING NEW AREA FOR EXPORTS AT

THE CRITICAL STAGE IN DEVELOPMENT, BUT THE TARIFFS OF

INDUSTRIAL COUNTRIES REPRESENT A MAJOR OBSTACLE. TO EASE

THIS PROBLEM WE HAVE AGREED WITH OTHER NATIONS TO INSTI-

TUTE A PROGRAM OF GENERALIZED TARIFF PREFERENCES FOR

DEVELOPING COUNTRIES. I AM AUTHORIZED TO ANNOUNCE TODAY

THAT ON JANUARY 1, 1976, THE UNITED STATES WILL PUT ITS

PROGRAM INTO EFFECT. AND BEFORE THAT DATE WE WILL BEGIN

CONSULTATIONS AND PRACTICAL ASSISTANCE TO ENABLE EXPORTING

COUNTRIES TO BENEFIT FROM THIS SYSTEM AND THE NEW TRADE

OPPORTUNITIES THAT IT WILL AFFORD.

16. THIRD, WE SHOULD NOW WORK ON THE SERIOUS PROBLEM THAT

REMAINS OF THE SYSTEM OF PROTECTION IN THE INDUSTRIALIZED

COUNTRIES THAT FAVORS THE IMPORT OF RAW MATERIALS OVER THE

IMPORT OF MANUFACTURED OR PROCESSED GOODS. MANY COUNTRIES

IMPOSE LOW OR NO DUTIES ON RAW MATERIALS AND HIGH DUTIES

ON MANUFACTURED OR PROCESSED GOODS; THE TARIFF PROTECTION

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INCREASES OR "ESCALATES" WITH THE DEGREE OF PROCESSING.

NOTHING COULD BE BETTER CALCULATED TO DISCOURAGE AND LIMIT

THE GROWTH OF MANUFACTURING INDUSTRIES IN DEVELOPING

COUNTRIES. IN THE TRADE NEGOTIATIONS, THE UNITED STATES

WILL MAKE A SPECIAL EFFORT TO REDUCE THESE BARRIERS.

17. IN RETURN, THE DEVELOPING COUNTRIES SHOULD NOT WITH-
HOLD OR INTERFERE WITH THE NORMAL SUPPLY OF THE MATERIALS
THEY PRODUCE. IN THE TRADE NEGOTIATIONS WE PROPOSE TO
NEGOTIATE RULES LIMITING AND GOVERNING THE USE OF EXPORT
RESTRAINTS, MUCH ALONG THE LINES OF EXISTING RULES THAT
GOVERN IMPORT RESTRAINTS. THE UNITED STATES IS PREPARED,
IF OUR PARTNERS ARE AS WELL, TO NEGOTIATE SPECIFIC COMMIT-
MENTS TO GUARANTEE THE AVAILABILITY OF SUPPLY OF COMMODIT-
IES WE EXPORT.

18. FOURTH, WE SHOULD ADAPT THE RULES ON NON-TARIFF BAR-
RIERS TO THE SITUATION OF DEVELOPING COUNTRIES. IN THE
NEGOTIATIONS ON GOVERNMENT PROCUREMENT PRACTICES; FOR
EXAMPLE, THE UNITED STATES IS PREPARED TO NEGOTIATE
SPECIAL CONSIDERATION FOR THE DEVELOPING NATIONS.

(COMMENT: FOR EXAMPLE, IF WE NEGOTIATE A RULE THAT SAYS
A DEVELOPED NATION CAN GIVE NO MORE THAN 10 PREFERENCE TO
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DOMESTIC SUPPLIERS FOR GOVERNMENT PROCUREMENT CONTRACTS,
THE RULE FOR LESS DEVELOPED COUNTRIES MIGHT ALLOW A 20
PREFERENCE). IN THE NEGOTIATIONS ON THE USE OF COUNTER-
VAILING DUTIES TO OFFSET GOVERNMENT SUBSIDIES, WE ARE PRE-
PARED TO PERMIT CERTAIN FORMS OR DEGREES OF SUBSIDY FOR
ACHIEVING PARTICULAR DEVELOPMENT OBJECTIVES WITHOUT TRIG-
GERING COUNTERVAILING ACTION.

19. FINALLY, WE SHOULD WORK FOR AN EARLY AGREEMENT ON THE
TROPICAL PRODUCTS THAT ARE A MAJOR SOURCE OF EARNINGS FOR

THE DEVELOPING WORLD. THE UNITED STATES WILL IMPLEMENT
ITS TARIFF CUTS ON TROPICAL PRODUCTS AS SOON AS THE
PACKAGE HAS BEEN NEGOTIATED, RATHER THAN AWAITING THE
COMPLETION OF THE TRADE NEGOTIATIONS.

20. THE MULTILATERAL TRADE NEGOTIATIONS ARE THE BASIC
MECHANISM FOR RESTRUCTURING THE WORLD TRADING SYSTEM. BUT
TRADE IN COMMODITIES PRESENTS VERY SPECIAL PROBLEMS THAT
CAN BE ADDRESSED ONLY IN PART, IN THE CONTEXT OF THE TRADE
NEGOTIATIONS. FOR SOME SERIOUS COMMODITY PROBLEMS SPECIAL
ARRANGEMENTS AND DIFFERENT INSTITUTIONAL STRUCTURES ARE
REQUIRED. LET ME NOW TURN TO THAT SUBJECT. INGERSOLL

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<< END OF DOCUMENT >>

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